



**Colchester**  
VERMONT



## LOCAL OPTION TAX PROPOSAL 2015



# Local Option Tax

The concept of a local option tax has been discussed by Town government since at least 2006.

The Selectboard held 2 public hearings to consider public input and reached out to business community.

The Selectboard decided it was appropriate to hold a public vote on 3/3/15 on a Local Option Tax.



# Outline

- 1) Why is a LOT being considered?
- 2) What is a Local Option Tax?
- 3) What purchases are exempt from the tax?
- 4) What could the LOT be used for?
- 5) How much will the LOT generate?
- 6) Who will pay the LOT?
- 7) How much will I pay?
- 8) What are the community's most pressing needs?
- 9) How will voters control the use of revenues from the LOT?
- 10) What are we voting upon to enact the LOT?



# Why is a LOT being considered?

- To reduce property taxpayers' burden and the reliance on the property tax
- To diversify and expand revenue sources (87% of tax would be paid by non-Colchester residents)
- To pay off the Town's debt (\$6.5 million.)
- To provide future funding to pay for unmet infrastructure needs or other special projects  
**subject to voter approval**

# What is a Local Option Tax?

A Local Option Tax is a 1% tax that can be levied by a municipality on retail, rooms, meals and alcohol sales

Approximately 70% of the 1% tax may be kept by the municipality and the remaining 30% goes to the State Payment in Lieu of Taxes (PILOT) program.

Colchester receives \$175,000 in PILOT annually.

In 2013, seventy-nine Colchester businesses collected \$627,964 in LOT on behalf of other Vermont towns.

## Current State Sales Tax %

Retail sales	6%
Rooms	9%
Meals	9%
Alcohol	10%

## Other towns in Vermont with LOT

Burlington	South Burlington
Williston	Rutland
Middlebury	Dover
Killington	Manchester
Stratton	Winhall
St. Albans	Brattleboro
Stowe	Wilmington

## Approximate revenues

Williston	\$2.6 million
Burlington	\$2.0 million
South Burlington	\$3.4 million
All Towns	over \$19 million



# What is Exempt from a Local Option Tax?

About forty exemptions in total including:

- Food products and beverages for off-premise consumption
- Clothes and shoes
- Drugs, medical supplies, durable medical equipment, mobility enhancing equipment, prosthetic devices
- Motor fuels such as gas and diesel
- Motor vehicles
- Agricultural supplies, fuel and electricity
- Residential heating fuel & electricity
- Items delivered to Towns without a LOT

# Comparison of costs with and without tax

Cost of Product	6% Tax	7% Tax	Difference	Cost of a Meal or Room	9%	10%	Difference
\$5	\$0.30	\$0.35	\$0.05	\$10	\$0.90	\$1.00	\$0.10
\$10	\$0.60	\$0.70	\$0.10	\$15	\$1.35	\$1.50	\$0.15
\$15	\$0.90	\$1.05	\$0.15	\$20	\$1.80	\$2.00	\$0.20
\$20	\$1.20	\$1.40	\$0.20	\$25	\$2.25	\$2.50	\$0.25
\$25	\$1.50	\$1.75	\$0.25	\$30	\$2.70	\$3.00	\$0.30
\$30	\$1.80	\$2.10	\$0.30	\$50	\$4.50	\$5.00	\$0.50
\$35	\$2.10	\$2.45	\$0.35	\$60	\$5.40	\$6.00	\$0.60
\$40	\$2.40	\$2.80	\$0.40	\$70	\$6.30	\$7.00	\$0.70
\$45	\$2.70	\$3.15	\$0.45	\$80	\$7.20	\$8.00	\$0.80
\$50	\$3.00	\$3.50	\$0.50	\$90	\$8.10	\$9.00	\$0.90
Cost of an Alcoholic Drink	10%	11%	Difference				
\$5	\$0.50	\$0.55	\$0.05				
\$10	\$1.00	\$1.10	\$0.10				
\$15	\$1.50	\$1.65	\$0.15				



# What Could a LOT Be Used For?

Other towns use LOT for operating expenses and capital which reduces the property tax rate.

Colchester Selectboard Proposal allows LOT to be used to:

- **Pay off our debt**
  - Which will reduce Town property taxes by 5%
- **Pay for voter approved projects**
  - Which will reduce the cost of projects to be paid by Colchester residents



# How Much Money will the LOT Generate?

## Assuming

- Voters approve on 3/3/15
- Legislative/Governor approval by 5/1/15
- Implementation by 10/1/15

Colchester will receive between \$870,000 and \$1,525,000 annually through quarterly payments from the State beginning 10/30/15

Based on information from the Vermont Department of Taxation and other sources we estimate annual receipts of \$1,290,000



**Colchester**

# Elements of the LOT

	Sales Tax	Meals Tax	Rooms Tax	Alcohol Tax	Total
<b>Total Sales</b>	\$328,047,327	\$22,308,465	\$14,398,509	\$2,917,086	<b>\$367,671,387</b>
<b>Delivered out of town</b>	(\$200,000,000)	\$0	\$0	\$0	<b>(\$200,000,000)</b>
<b>Taxable Sales</b>	\$128,047,327	\$22,308,465	\$14,398,509	\$2,917,086	<b>\$167,671,387</b>
<b>1% sales tax</b>	\$1,280,473	\$223,085	\$143,985	\$29,171	<b>\$1,676,714</b>
<b>State portion</b>	(\$390,544)	(\$68,041)	(\$43,915)	(\$8,897)	<b>(\$511,398)</b>
<b>Estimated tax revenue</b>	<b>\$889,929</b>	<b>\$155,044</b>	<b>\$100,070</b>	<b>\$20,274</b>	<b>\$1,165,316</b>

*Information based on 2014 sales figures from the State of Vermont Department of Taxes*

**FY 16 Estimate is \$1.29M**



# Who Pays the LOT?

- It is estimated that 87% of the LOT would be paid by non-residents
- Colchester residents currently pay the 1% LOT when shopping, dining, and purchasing alcohol in Burlington, South Burlington, St. Albans and Williston.
- Colchester residents reduce property taxes of those communities when they make purchases in those municipalities.



# LOT Taxable Expenses

Expenditure Item	Household Annual Spending
Alcoholic beverages	\$527
Food away from home	\$2,811
<b>Other Taxable Sales</b>	
Housekeeping supplies	\$648
Household furnishings and equipment	\$1,665
Audio and visual equipment and services	\$1,011
Toys, hobbies, and playground equipment	\$145
Other entertainment supplies, equipment, and services	\$310
Personal care products and services	\$626
Reading	\$117
<b><u>Subtotal Taxable Sales</u></b>	<b><u>\$4,522</u></b>
<b>Total Taxable Sales</b>	<b>\$7,860</b>

**1% is \$78.60**

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September, 2014

# Who Pays the LOT?

87% of LOT is from non-residents

LOT Component	Revenues	From Residents	% from Residents
<i>Meals</i>	\$223,085	\$60,000	27%
<i>Alcohol</i>	\$29,171	\$8,000	27%
<i>Rooms</i>	\$143,985	\$1,500	1%
<i>Sales</i>	\$1,280,473	\$150,000	12%
<b>Total</b>	<b>\$1,676,714</b>	<b>\$219,500</b>	<b>13%</b>

Estimate by Steadman Hill Associates using data from Vt. Dept. of Taxes and US Bureau of Labor Stats.

# Comparison – Inner Chittenden County Town Tax Rates

Williston (LOT)	.27
So. Burlington (LOT)	.4278
Essex Town	.4834
<b>Colchester</b>	<b>.5714</b>
Essex Jct.	.7543
Burlington (LOT)	.7958
Winooski	1.0133
<b>Average</b>	<b>.6165</b>



Local Option Tax (LOT)

2014-15 MUNICIPAL TAX RATES FROM TOWN LISTER/ASSESSOR'S DATA



**Colchester**  
VERMONT

## How Much Will I Pay?

If a portion of the FY 16 LOT revenue was used for debt service, the municipal property taxes would be 5% less than FY 15.

LOT property tax savings per average household is \$82 per year.

LOT is more avoidable than property taxes.

\$ 1.60 Coffee	2 cents
\$ 10 Sandwich and drink	10 cents
\$ 50 dinner for two at Juniors with drinks	50 cents
\$ 8 pie at Mazza's	no tax
\$100 for groceries	no tax
\$ 50 for clothing	no tax
\$ 35 gasoline	no tax
<u>\$509 50" Visio Smart TV at COSTCO</u>	<u>\$5.09</u>
<b>Total</b>	<b>\$5.71</b>



# Tax Rate Reduction Most Pressing Community Need

## **Survey conducted in 2014 with 8% of voters responding indicated**

- Most were happy with the Town services
- Little interest in reducing services
- Seventy-two percent supported creating a LOT in some form
- Property tax relief was preferred use of the LOT
- Infrastructure projects second.



## How would voters control use of the LOT and what projects could be funded by the LOT?

- **Ballot language limits use to existing and future debt approved by voters**
  - Current debt includes Belwood Drainage, LED Streetlights, Bayside Property Purchase, Town Hall, and the Police Station Improvements.
  - Future projects can **only be authorized by specific voter approval**
    - Possibilities could include unfunded capital projects such as water cleanup, Colchester Fire Districts' capital needs, parks, public boat house/docks, boating/fishing access, water, sewer, community center, conservation land, upgrading library/meeting house, etc. (**all subject to public input, prioritization, and public vote**)



# LOT Ballot Language?

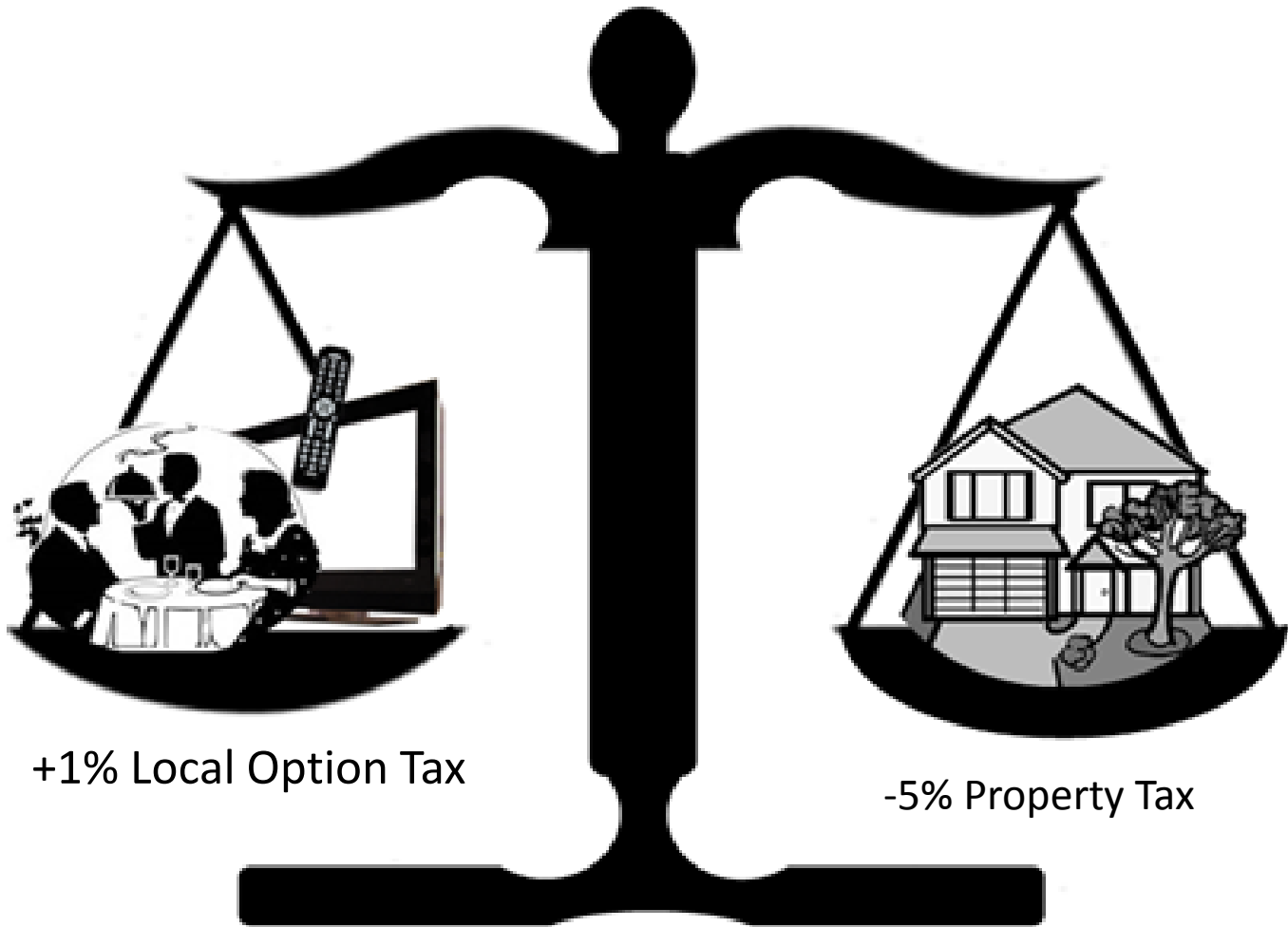
“Shall the Town of Colchester amend its Charter to add Section 703, to allow the annual assessment of a one-percent (1%) Local Option sales, rooms, meals, and alcoholic beverages tax, the proceeds of which shall be used to pay for existing or future voter approved capital projects within the Town as well as voter approved inter-municipal financial support related thereto, effective 10/1/15, pending approval of the Charter change by the Legislature?”



# Why is a LOT being considered?

- To reduce property taxpayers' burden and the reliance on the property tax
- To diversify and expand revenue sources (87% of tax would be paid by non-Colchester residents)
- To pay off the Town's debt (\$6.5 million.)
- To provide future funding to pay for unmet infrastructure needs or other special projects  
**subject to voter approval**

# LOCAL OPTION TAX





Please Vote on March 3rd